

California Electronic Waste Recycling Act

Guide to Net Cost Reporting

Including line-by-line instructions for completing the Annual CEW Net Cost Report (Form 220) and Net Cost Estimation Worksheets for Collectors (Form 220a) and Recyclers (Form 220b).

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Integrated Waste Management Board
Public Affairs Office, Publications Clearinghouse (MS-6)
1001 I Street
P.O. Box 4025
Sacramento, CA 95812-4025
www.ciwmb.ca.gov/Publications/
1-800-CA-WASTE (California only) or (916) 341-6306

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Overview

Regulations for the California Electronic Waste Recycling Act of 2003 require approved collectors and recyclers to annually submit to the California Integrated Waste Management Board a report on the net costs of collecting and/or recycling covered electronic waste (CEW) and to maintain records supporting the reported costs.

To simplify reporting, the Board developed the CEW Net Cost Report Form (Form 220) and the CEW Cost Estimation Worksheets. Form 220a is for collectors and dual entities—those who are authorized to both collect and recycle electronics—and Form 220b is for recyclers and dual entities. This guide describes the reporting and documentation requirements and provides detailed, line-by-line instructions for completing these two forms.

The Board will consider information from the net cost reports during its periodic review and adjustment of the standard collection and recycling payment rate and the retail fee collected by retailers pursuant to the Electronic Waste Recycling Act.

Following are some key questions and answers about the annual CEW net cost reporting requirement.

Who Is Required to Submit a Net Cost Report?

All approved collectors and approved recyclers must submit an annual net cost report to the Board and maintain on file supporting documentation. Dual entities are required to report costs separately for collection and for recycling.

When Is the Report Due?

Annual reports are due to the Board by March 1. The first report is due by March 1, 2006.

What Information Must Be Included in the Report?

Reports must include all of the information included on Form 220, CEW Net Cost Report (completed and signed) **and** the Net Cost Estimation Worksheets, Form 220a (for collectors and dual entities) and Form 220b (for recyclers and dual entities). The Board strongly encourages the use of these forms to fulfill the reporting requirement. Furthermore, the information included in net cost reports must be supported by documentation on file at your place of business. This guide provides line-by-line instructions for completing these forms. The required information includes:

- A summary of the revenues, costs, and net cost per pound of collecting/recycling.
- A breakdown of three broad cost categories (labor, transportation, and other).
- Identification of the subcategories of revenues and costs included and the method used to estimate them.

What Supporting Information Must Be Maintained on File?

Supporting documentation should provide a reasonable justification and clear explanation of the actual revenue and cost estimates included in your net cost report. Generally, this is satisfied by the standard operating and accounting documents your company uses to conduct business, including invoices, payment books, bills of lading, and other documentation of daily business practices. Additionally, the Board recommends keeping detailed notes on file that fully and clearly document assumptions and calculations used to determine the information included in the reporting forms. During its analysis of program costs, the Board may contact a sample of

collectors and recyclers to clarify and/or verify certain types of costs. (The Board is authorized to conduct audits of approved collectors and recyclers.)

How Can Reports Be Submitted?

Complete reports must include all of the information listed on Form 220, CEW Net Cost Report **and** the Net Cost Estimation Worksheets (Form 220a for collectors and dual entities and Form 220b for recyclers and dual entities). This Guide to Net Cost Reporting and the forms are available on the Board's website at www.ciwmb.ca.gov/Electronics/Act2003/.

The report must be signed by the person your organization authorized on your application to the Board to become an approved collector or recycler and be mailed or delivered in hard copy to:

California Integrated Waste Management Board
Attention: Electronic Waste Recycling Program, MS #12
1001 I Street, P.O. Box 4025
Sacramento, CA 95812-4025

A return receipt is suggested to verify deliveries. (Note: you may send completed forms via e-mail to ewaste@calepa.ca.gov; however, an original, signed hard copy must also be sent for the Board's files.)

How Can You Get More Information and Help?

General information on the California Electronics Recycling Act of 2003 is available on the Board's website at: www.ciwmb.ca.gov/Electronics/Act2003/. The Board will maintain an up-to-date list of frequently asked questions and answers related to the CEW Net Cost Report on this website.

Regulations covering the net cost reporting requirement (Chapter 14, California Code of Regulations, section 18660.10) and the Board's authority to conduct audits (14 CCR, section 18660.9) are available online at www.ciwmb.ca.gov/Electronics/Act2003/Regulations/Emergency/Default.htm.

For further information and assistance regarding the net cost report, contact Matt McCarron of the Board's electronic waste recycling program staff by phone at (916) 341-6456 or by e-mail at ewaste@calepa.ca.gov.

Important Reminders

Include Revenue and Costs Related to Handling Covered Electronic Waste (CEW) Only, Not Other Types of Electronic Waste

The net cost report pertains only to covered electronic waste as defined in regulations for the California Electronic Waste Recycling Act. Costs and revenues associated with collection or recycling of other types of electronic waste, as with all other business activities unrelated to collecting and recycling CEW, should not be included in the cost report.

Report Collection and Recycling Costs Separately

Dual entities (approved recyclers who are also approved collectors) must maintain records and report net costs separately for CEW collection and for CEW recycling activities. Approved collectors and recyclers must maintain records and report net costs associated with CEW collection. Dual entities may submit a single Net Cost Report (Form 220) that lists collection and recycling costs separately, supported by two separate Net Cost Estimation Worksheets (Form 220a for collection activities and Form 220b for recycling activities).

Do Not Include Revenue Received from CIWMB

The purpose of the report is to estimate the net cost of collection and recycling that must be covered through the California Electronic Waste Recycling Act. Therefore, revenues and costs associated with payments required under the act should be excluded. That is, recyclers should not include revenue received from CIWMB through payments under the act. Also, recyclers should note the 20-cent collector payment required under the act as a cost. Similarly, collectors should not include payments of the required 20-cent collector payment received from recyclers under the act. (Note: Collectors **should** include as revenue any monetary payment received from processors over and above the required 20-cent-per-pound payment.)

Report Your Best Reasonable Estimate of Actual Revenue and Costs

The Board recognizes that the range of activities undertaken by collectors and recyclers is very broad and that estimating CEW collection and recycling costs will be very challenging in some cases. Reasons for this include (but are certainly not limited to) the following about approved collectors and recyclers:

- They may handle non-CEW electronic waste or other types of waste materials in addition to CEW.
- They may be engaged in additional business activities completely unrelated to CEW collection and recycling.
- They may find it difficult to estimate the appropriate share of direct costs like labor and/or indirect costs like utilities or building costs attributable to CEW collection or recycling.
- They may find it difficult to separate collection costs from recycling costs.

To maximize flexibility, the Board will allow any reasonable approach to cost estimation, **provided the method used is clearly identified and represents a good-faith effort to estimate costs as accurately as possible.** Where the specific costs of handling CEW cannot be distinguished from other business activities, a second-best approach is to allocate a reasonable percentage of each business cost category to CEW handling. For example, you may allocate a share of total utility costs to CEW handling based on the percentage of all material throughput

that is CEW. This Guide to Net Cost Reporting explains several optional approaches in detail, along with line-by-line instructions for completing the Net Cost Estimation Worksheet (Form 220a for collectors and dual entities and Form 220b for recyclers and dual entities).

Instructions for Completing the CEW Net Cost Report (Form 220)

Following below are line-by-line instructions for completing Form 220, the CEW Net Cost Report. Form 220 is also available as a Microsoft Excel document on the Board's website at www.ciwmb.ca.gov/Electronics/Act2003/.

Lines 1–9: Provide contact information for your organization to assist CIWMB in easily contacting appropriate representatives regarding this net cost report.

Line 10: Enter the date that the net cost report was completed.

Line 11: Enter the reporting period. Data should generally correspond with the calendar year preceding the deadline or the portion of the year that you were an approved collector or recycler. For example, the first report due on March 1, 2006, will cover the period of January 1–December 31, 2005. If, however, you became an approved collector or recycler part way through the calendar year—for example, on June 1, 2005—the report will cover the period of June 1–December 31, 2005. It is important to ensure that all costs, revenues, and pounds collected/recycled pertain to the same time period, because net cost per pound will ultimately be calculated.

General Instructions for Lines 12 and 13

Use the Net Cost Estimation Worksheets, Form 220a (collectors and dual entities) and/or Form 220b (recyclers and dual entities) as a guide to determining the correct revenue and cost estimates to include on lines 12 and 13. Forms 220a and 220b are available as Microsoft Excel documents on the Board's website at www.ciwmb.ca.gov/Electronics/Act2003/. Detailed line-by-line instructions for completing the worksheet are provided in the following chapter of this guide.

Note:

- Costs for collection and for recycling must be reported separately.
- Approved collectors must complete column A only.
- Approved recyclers must complete column B only.
- Dual entities (approved collectors who are also approved recyclers) must complete column A, column B, and column C.

Line 12: On line 12A—Enter your total revenue received in relation to CEW recovery (from line 4A and/or line 4B on Form 220a).

On line 12B—Enter your total revenue from recycling (from line 4A or 4B on Form 220b). See line-by-line instructions in the next chapter of this guide. Recyclers: do not include revenue received from the Board as payments under the California Electronic Waste Recycling Act. Collectors: do not include the standardized collector payment of 20 cents required to be paid to you by approved recyclers under the act.

Line 13: On line 13A—Enter your total costs in relation to CEW **recovery** (from line 27A and/or line 27B on Form 220a).

On line 13B—Enter your total costs in relation to CEW **recycling** (from line 27A and/or line 27B on Form 220b). See line-by-line instructions for the worksheets in the next chapter of this guide. Recyclers: do not include as costs the amount of payments from CIWMB passed through to collectors, as required under the California Electronic Waste Recycling Act.

Line 14: Subtract line 12 from line 13. (Costs should show as a positive number.)

Line 15: Enter the total number of pounds of CEW collected or recycled during the reporting period (the net cost report covers only the period for which you were an approved collector or recycler).

Line 16: Divide line 14 by line 15.

Lines 17–21: The form must be signed by the person authorized to complete this report. This should be the same person listed in your application to the Board to become an approved collector, recycler, or dual entity.

Instructions for Completing the Net Cost Estimation Worksheets (Forms 220a and 220b)

Following are detailed line-by-line instructions for completing the Net Cost Estimation Worksheets. There are two separate versions of this worksheet—Form 220a is for use by collectors, and Form 220b is for use by recyclers. Dual entities must use both worksheets. The worksheets provide a guide for estimating revenues and costs related to CEW collection and/or recycling. The information listed on these worksheets (as with Form 220) must be included in the Net Cost Report you submit to the Board.

General Instructions for Forms 220a and 220b Net Cost Estimation Worksheets

Purpose of the Forms.

The purpose of these worksheets is to provide consistent guidance in preparing the Net Cost Report. Use the worksheets, along with these instructions, as a guide to determine the cost and revenue estimates listed in your Annual CEW Net Cost Report (Form 220).

By providing additional detail in a consistent format, the worksheets will also greatly facilitate the Board's analysis of CEW collection and recycling net costs and consideration of possible adjustments to the statewide standardized payment rate schedule.

Only list the revenue and costs that pertain to you.

You should only include revenues and costs that are applicable to your operation. For example, collectors should not attempt to estimate and include the value of services provided by a recycler for which the collector does not explicitly incur a cost or receive revenue (for example, transportation services). These costs will be captured in reports submitted by dual entities for the portion of collection activities they undertake. However, you are encouraged to identify and describe any such items in line 29 or line 30 to assist the Board in analyzing your report.

Must I use the revenue and cost categories listed on the worksheet?

No. You may use other categories and/or consolidate some or all of those listed on the worksheet, if this facilitates your report preparation process. However, to facilitate the Board's analysis of costs, you should break out subtotals for the three major cost categories listed in the worksheet: "labor," "transportation," and "other." (And again, costs for collection and for recycling must be reported separately.)

Column A—Itemized Revenue or Costs Specifically Dedicated to CEW Collection.

Include in column A estimates of revenues or costs directly attributable to CEW collection or recycling that you can itemize separately (as opposed to revenue or costs that you must estimate as a percentage of broader business activities because they are commingled or too difficult to itemize separately (see column B instructions below). For example, enter in column A the total of itemized advertising costs that you are able to separate and identify as directly related to CEW collection or recycling.

Column B—Estimated Share of Broader Business Revenue or Costs Allocated to CEW Collection.

Include in column B estimates of revenues or costs that you have estimated as a percentage of broader business activities. The Board prefers that, where possible, costs be itemized for CEW handling (and entered in column A). However, the Board understands that in some cases it will be necessary to estimate CEW handling costs as a percentage of broader business activities (and entered in column B). Use the approach that you determine is most reasonable and feasible to allocate revenues and costs, given your unique circumstances. For example, enter in column B the percentage of total company advertising costs that you determine can reasonably be allocated to CEW collection or recycling. (See discussion of allocation methods under column C below.)

Column C—Explanation for column B (Identify basis for allocation).

For each revenue or cost estimate entered in column B, enter a short explanation that describes the basis for allocating revenue/cost to CEW handling. In most cases, the Board anticipates the best approach will be to allocate costs based on the percentage of total volume handled (also termed throughput, in pounds) that is CEW. For example, if your company handles a variety of electronic wastes in addition to CEW, you may determine this percentage by dividing the pounds of CEW handled by the total number of pounds of all electronics waste handled during the reporting period. Multiply this CEW allocation percentage by total cost categories that cannot be itemized in column A to estimate the amount to allocate to CEW handling. In this case, column C would state “based on percentage of total volume of e-waste handled” as the basis for the cost allocation. Also, summarize the general approach taken to estimate costs in line 29 below.

If you determine that another cost allocation basis is more accurate, you may use it. For example, you may use the percentage of total direct labor costs that is attributable to CEW handling (enter “direct labor” in column C).

In all cases you must summarize the general approach taken to estimate costs in line 29, providing enough detail to allow analysts to understand the basis for your cost and revenue estimates.

The form is a flexible guide, not a rigid requirement.

Fill in only the revenue and cost estimates that are reasonable and that combine to provide your best estimate of total revenue and costs.

- Where possible, itemized costs (column A) are preferred to costs estimated through an allocation (column B).
- The specific revenue and cost categories listed are meant as a guide only. However, providing subtotals for the major cost categories of “labor,” “transportation,” and “other” is strongly preferred. You are not required to fill in each line item within these major categories; only fill in the lines that combine to provide the most reasonable and accurate estimate possible. And, you may consolidate line items within major categories in any manner that combines to provide the most reasonable and accurate total revenue and cost estimate possible.

Bottom Line—Report your best, reasonable estimate of actual total revenue and costs.

The worksheets are intended to assist, not complicate, your net cost report submission. Use them as a guide to identify appropriate revenue and cost categories to include or exclude, and for identifying approaches to simplify your report. The Board understands that accurately reporting costs will be difficult in some circumstances.

Lines 1–4: Lines 4A and 4B should represent your best estimate of allowable revenues (received as funds) related to CEW collection or recycling. **Collectors: exclude payment of the standard statewide collection rate (20 cents per pound)** received from recyclers as a pass-through from CIWMB, pursuant to the California Electronic Waste Recycling Act. However, **include** on line 1 any payments received from recyclers over and above the standard 20-cent-per-pound required payment. **Recyclers: exclude all payments from CIWMB** (including the 20-cent-collector and 28-cent-processor standard payments) made pursuant to the act. Recyclers should include all revenues from sale of commodities.

Lines 5–7: Lines 7A and 7B should represent your best estimate of labor costs related to CEW collection or recycling. Include in line 5 only direct labor expenses related to collecting, handling, processing, and shipping CEW. Include in line 6 indirect labor such as administration, facility permitting, accounting, and other activities indirectly involved in handling CEW. (Note: as an alternative, you may include indirect labor in line 25, general overhead—see instructions below).

Lines 8–10: Line 10A and 10B should represent your best estimate of transportation costs **paid by you** related to CEW collection. Do not enter estimates of costs that your organization does not pay for. To the extent practical, the Board is interested in separately estimating transportation costs associated with collection and processing. Typical costs to consider include fuel costs, vehicle depreciation, vehicle lease costs, vehicle maintenance and repair costs, vehicle registration costs, vehicle insurance, and vehicle tax payments. **Collectors:** If possible, enter on Form 220a, line 8, the costs related to collection activities (that is, from generators to the collector’s facility). On Form 220a, line 9, enter the transportation costs you paid to move materials to the processor (from the collector’s facility or the generator to the processing facility). If transportation costs are provided as a service as part of a transaction agreement, do not attempt to estimate or enter the value of this service, but note it in line 29.

Dual Entities: On Form 220a, lines 8 and 9, report collection-related costs separately (for example, transportation related to moving CEW from generators to collection points, and from collection points to recycling facilities.) On Form 220b, lines 8 and 9, include only recycling-related transportation costs (for example, transportation from the recycling facility onward). Include under transportation both payments to freight companies (and all associated costs) and internal transportation costs such as vehicle lease, rental or depreciation, vehicle insurance, fuel, and maintenance. While separately identifying these costs under transportation is strongly preferred, as an alternative you may include these costs under “other costs.” In all cases, explain your approach and assumptions in line 29.

Lines 11–26: Line 26 should represent your best estimate of all other costs related to CEW collection or recycling that are not included in lines 7A and 7B (labor costs) or lines 10A and 10B (transportation costs). The specific sub-categories listed are a guide only. You may include any cost categories, combined in any manner, as long as all costs are related specifically to CEW collection and recycling and represent your best reasonable estimate of total costs. Note that you may use line 25, General Overhead, as a catch-all to capture all costs not related to labor and/or transportation. Be sure to identify the basis for your estimated allocations in column C as described under general directions above. **Be careful not to double count any costs.**

“Processing and disposal” (line 12) refers to costs for disposal or processing of residual materials that are components of CEWs; for example, payments to CRT glass processors. **Collectors: if you are required to make payments to recyclers for processing CEWs (not other types of electronic waste), include that amount here.**

Line 27: Enter the sum of line 7A + line 7B + line 10A + line 10B + line 26A + line 26B. Line 27 should represent your best reasonable estimate of total costs related to CEW collection and/or recycling.

Line 28: Enter the rate of profit (per pound handled) that you feel is most appropriate for a private-sector firm engaged in CEW collection (Form 220a) or recycling (Form 220b). Note that **the profit rate you enter will not affect your reported net cost**. For the purposes of adjusting statewide standard payment rates for collection and recycling, the Board will include a reasonable rate of profit. Your response will assist the Board in determining what that reasonable level should be. If you choose, you may also enter a separate rate of profit using a basis other than cents per pound (for example, percentage of total revenue). Clearly specify the basis you are using and, if necessary, further explain your entry in line 29. The Board prefers not to use percentage of revenue as a basis for profit since revenues are dependent upon State payments.

Line 29: Use line 29, along with additional attached sheets as necessary, to provide any additional explanations or justifications for your revenue and cost estimates. Most importantly, you should provide a general description of the approach taken to estimate costs, especially the allocation of costs to CEW collection and/or recycling. Your explanations should be sufficient to allow an analyst to clearly understand the basis and justification for your net cost estimates.

Line 30: Identify on line 30 any unique revenues or costs that are likely to change in future years. For example, unique start-up costs and services received free of charge (for example, volunteer labor) or that are bundled in transactions but not monetized (for example, transportation services).

Additional Questions and Answers

Is it OK to use my firm's profit and loss statement instead of the Net Cost Estimation Worksheet (Forms 220a and 220b)?

Yes, as long as it includes all the information requested on Forms 220, 220a, and 220b. **However, the Board strongly encourages you to also complete and submit the forms** using the information from your profit and loss statement and/or other sources. In either case, include sufficient explanations of all revenue and cost estimates to allow an analyst to understand the basis and justification for your net cost estimate. Also, using the revenue and cost categories and sub-categories listed on the worksheets is preferred, but not required. You may report revenue and cost subcategories from your profit and loss statement **as long as your reported figures represent your best reasonable estimate of actual CEW collection and/or recycling costs and revenue.**

How should I treat costs that are internal within our company (for example, disposal costs at a company subsidiary)?

Use a reasonable market rate, and document your assumptions.

Why aren't important external costs—such as the cost of satisfying facility permitting and other regulations, or the cost of preparing payment requests—included under the act?

All these costs **are** included, as are any other costs related to CEW collection or recycling. In the worksheet, these costs would likely be included under indirect labor. Any other non-labor costs should be captured under “other” costs.

We have employees that are involved in collecting and processing CEW and other types of e-waste. How should we estimate costs for CEW?

You may estimate CEW costs using whatever method you determine is most accurate. For example, you may estimate CEW costs based on a percentage of total volume handled. You can determine this percentage by dividing the pounds of CEW handled by the total number of pounds of all materials/product handled during the reporting period. Multiply your total direct labor by this percentage to estimate CEW direct labor. You may use this percentage of CEW direct labor to estimate other costs as well (or another method if you feel it is more accurate and reasonable).

Why isn't the Board providing a standard, average overhead rate for all respondents to use? That would be more consistent.

The purpose of this net cost report is to assist the Board in determining average costs, including overhead. As with all cost categories, the Board is interested in understanding your best estimate of total overhead costs. The purpose of the net cost reporting form is to estimate the statewide average net cost, not to assign a particular net cost to any particular approved collector or recycler.

Why isn't the Board allowing online reporting?

Each net cost report must be signed and dated by a person authorized to do so under the California Electronic Waste Recycling Act. You may submit your net cost report and worksheet via e-mail to ewaste@calepa.ca.gov, but you still must send a signed hard copy. The Board may in the future establish a database for online reporting.

Costs for recycling liquid crystal displays (LCD) are completely different than for cathode ray tubes (CRT). Why isn't the Board asking for cost information on these two streams separately?

The Board feels that the net cost report is already challenging, and LCDs represent a very small percentage of total CEW currently. As that percentage grows in future years, the net cost reports will reflect the impact on total costs.